




STATE OF DELAWARE

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November 1, 2017

To: The Chair and Members of the Commission

From: Shona Marshall, Public Utilities Analyst 

Subject: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY TO ESTABLISH THE RATE FOR THE UTILITY RELOCATION CHARGE TO RECOVER COSTS INCURRED IN CONNECTION WITH THE RELOCATION OF ELECTRIC UTILITY FACILITIES (FILED NOVEMBER 30, 2015)-PSC DOCKET NO. 15-1603

Application:

On November 30, 2015, Delmarva Power & Light Company (Delmarva" or the "Company") filed an application seeking approval, pursuant to 26 Del. C. §315 and 26 Del. Admin C. §1009, to establish the rate for the Utility Facility Relocation Charge ("UFRC") to recover certain costs related to the relocation of electric facilities as required by the Department of Transportation ("DelDot") or other governmental agency projects. An amended application ("Application") was filed on December 2, 2015.

The Application requested the implementation of a UFRC rate of .36% ("UFRC Rate"). The requested UFRC Rate was based on net utility plant additions of \$ 3,369,412.59, a semi-annual revenue requirement of \$ 361,737.27, and semi-annual projected distribution revenues of \$99,749,767. This Application was Delmarva's first application for approval of a UFRC Rate since the regulations were implemented and the rate included costs incurred from January 1, 2013 through September 30, 2015. On December 15, 2015, by way of Order No. 8838, the Commission approved the Company's request to establish the UFRC Rate, subject to review, audit, and an annual reconciliation of all of the items Delmarva listed in Exhibit A of the Application that were included in the calculation of the requested UFRC Rate.

On April 21, 2016, Staff began the annual reconciliation and audit ("2016 Audit") with Delmarva to discuss and compile the documentation that Staff deemed necessary to complete the

2016 Audit of the UFRC components and calculations for Docket No. 15-1603. The 2016 Audit concentrated on the major components of the UFRC Rate; namely net utility additions and retirements. The actuals for the revenue components were not available at the time. On May 31, 2017, Staff returned to Delmarva to complete the 2017 annual reconciliation and audit ("2017 Audit"). Delmarva was able to provide revenues pertaining to the electric UFRC for the period January 1, 2016 through December 31, 2016.

Findings and Recommendation for PSC Docket No. 15-1603: Rate Effective Period January 1, 2016-June 30, 2016

During the 2016 Audit, Staff requested copies of letters from DelDot and other agencies that requested the relocation of electric facilities to properly assess whether the plant included in the calculation of the proposed UFRC Rate was an Eligible Utility Facility Relocation pursuant to 26 Del. Admin C. §1009 Section 6.3.1.1 and 26 Del. C. § 315. Delmarva provided Staff with letters and/or utility statements for a sample of projects. The letters identified the work requested and the project's eligibility for reimbursement through DelDot. The utility statements provided details of the work required to be completed by various utilities with facilities in the area.

Staff then reviewed the components that comprise the UFRC Rate calculations. Plant additions were reviewed for conformity to the requirements of the legislation. Specifically, plant additions were traced by project and account to the work orders in SAP, then to the general ledger. Staff also reviewed a sampling of contractor invoices, consumption reports, retirement schedules, reimbursement documentation, and calculations to ascertain that the appropriate expenditures were included in the components of the UFRC Rate. Staff did not identify any manifest errors in the calculations.

Finally, Staff reviewed a sampling of customer bills from the effective time period to determine if the billing accurately reflected the UFRC Rate. No discrepancies were found. During the 2017 Audit, Staff was able to view revenues collected for the period of January 1, 2016 through June 30, 2016. The total collected for this period was \$ 451,512.50, an over-collection of \$89,775.23. Delmarva also provided source data from its accounting system to verify the accuracy of the reported revenues for select periods requested by Staff. The over-collection was applied to the rate calculation in Docket No. 17-0401, submitted May 31, 2017 to revise the UFRC Rate. Therefore, Staff recommends that the UFRC Rate of .36%, as collected during the period January 1, 2016 through June 30, 2016, be approved as final and Docket No. 15-1603 be closed.